

December 30, 1999

D.T.E. 99-7

Petition of Nantucket Electric Company for approval by the Department of Telecommunications and Energy of a Cable Surcharge to become effective on January 1, 2000.

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APPEARANCES: Amy G. Rabinowitz

Associate Counsel

New England Power Service Company

25 Research Drive

Westborough, MA 01582-0099

-and-

David A. Fazzone, P.C.

McDermott, Will & Emery

28 State Street

Boston, MA 02109

FOR: NANTUCKET ELECTRIC COMPANY

Petitioner

- INTRODUCTION

On October 10, 1995, the Department of Public Utilities, now the Department of Telecommunications and Energy ("Department") approved a settlement in which Nantucket Electric Company ("Nantucket" or "Company") merged into New England Electric System ("Merger Agreement"). Nantucket Electric Company, D.P.U. 95-67 (1995). Pursuant to the Merger Agreement, Nantucket's customers will pay Massachusetts Electric Company's rates plus a cable facilities surcharge ("CFS") to cover the cost of underwater cable facilities to serve Nantucket. Id. at 2-3. The Department approved the 1999 CFS on January 8, 1999, the 1998 CFS on December 31, 1997, and the 1997 CFS on December 31, 1996.

On November 30, 1999, Nantucket filed with the Department its proposed 2000 CFS to become effective January 1, 2000. Pursuant to notice duly issued, on December 28, 1999, the Department conducted a public hearing on this matter. The evidentiary record consists of one Company exhibit and one Department exhibit.<sup>(1)</sup> There were no petitions for leave to intervene filed.

## II. THE CFS

- Description

The Company calculates its CFS annually based on projected costs and projected kilowatt-hour ("KWH") sales that are reconciled to actual figures in the next annual CFS filing (Exh. N-1, at 5-6). The Company states that its 2000 revenue requirement for its cable facilities is composed of: (1) its projected cost of service for 2000; (2) the preliminary reconciliation of the revenue collected under the 1999 CFS;<sup>(2)</sup> and (3) the final reconciliation of the actual revenue collected under the 1998 CFS (id. at 5-6).

The Company projects its 2000 cable facilities cost of service to be \$2,991,196 (Exh. N-1, at 10).<sup>(3)</sup> With respect to the reconciliation of the estimated revenues collected under the 2000 CFS with the 2000 revenue requirement, the Company overcollected approximately \$272,996 for 1999 and a final 1998 overcollection of \$66,604 (id. at 10, 13). Nantucket calculated the overcollections by subtracting from the estimated revenues collected in 1999 (\$3,256,717), the 2000 cable surcharge revenue requirement (\$2,983,721) (id. at 13). The 2000 cable surcharge revenue requirement consists of the 2000 projected cable facilities cost of service of \$2,991,196 and a credit of \$272,996, which represented the overcollection for 1999. (id.)

With respect to the 1998 final reconciliation, the Company overcollected \$66,604 (id.). Nantucket calculated the final 1999 overcollection by subtracting from the actual 1998 cable surcharge revenues of \$2,124,366 the sum of the actual 1998 cable cost of service

of \$2,003,707, and the 1998 overcollection of \$54,055, which was already returned to ratepayers because it was included in the 1999 cable surcharge revenue requirement (id.). The Company then determined the 2000 cable surcharge revenue requirement to be \$2,651,596 by subtracting from the 2000 projected cable facilities cost of service of \$2,991,196, the sum of the overcollection from 1999 of \$272,996, and the final overcollection from 1998 of \$66,604 (id. at 10, 13). Nantucket states that this revenue requirement of \$2,651,596 for the cable facilities for 2000 is an decrease of \$353,803 over its 1999 revenue requirement of \$3,005,398 (id. at 32). Consequently, the Company's CFS for each rate class will decrease, on average, by approximately 11.77 percent.

The Company proposed to allocate the 2000 revenue requirement to each of the Company's rate classes based on the amount of revenue each rate class has contributed during 1999 (Exh. N-1, at 32).<sup>(4)</sup> The Company asserts that allocating the cable facilities' costs this way ensures equity among rate classes and avoids the rate shock that would result from an alternative allocation (id. at 33). The Company also proposes to continue the seasonal (summer/winter) CFS rates to maintain consistency with the Company's historic rate structure and insulate customers from significant swings in average rates (id. at 34). Nantucket presented evidence that its proposed CFS decrease does not impede the Company's overall fifteen percent consumer rate reduction that is required by G.L. c. 164, § 1B(b).

#### B. Analysis and Findings

In our review of the CFS, the Department assessed whether the CFS comports with the Department's rate design requirements. Nantucket Electric Company, D.P.U. 95-67, at 20 (1995). The Department reviewed the components of the Company's CFS revenue requirement. The Department finds that the Company's method of calculating and allocating Nantucket's 2000 CFS are consistent with D.P.U. 95-67 and with the Department's rate design requirements. The Department also finds that the Company's CFS decrease complies with the Company's required fifteen percent customer rate reduction as required by

G.L. c. 164, § 1B(b). Accordingly, the Department hereby approves the 2000 CFS proposed by Nantucket as indicated by Table 1, attached to this Order.

### III. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Nantucket Electric Company shall implement the twelve-month

2000 cable facilities surcharge rates as indicated in Table 1, attached to this Order. These cable facilities surcharge rates shall go into effect January 1, 2000.

By Order of the Department,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

Appeals as to matter of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing

of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

1. On December 30, 1999, the Company filed a supplement to Exh. DTE-1, providing the bill impacts of the CFS on customer rates.
2. In this filing, the Company forecasted three months (October, November, and December) of 1999 revenue and cost of service (Exh. N-1, at 5).
3. The Company's cost of service includes: (1) return and taxes on rate base;  
(2) depreciation expense; (3) amortization of financing costs; and (4) a credit for fiber optic rental revenues (Exh. N-1, at 6).
4. The Department notes that the Company's method for allocating its 2000 revenue requirement will result in a varying CFS charge for each rate class. Each CFS is noted on Table 1, attached to this Order.